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**McKINNEY
GOLD MINES
LIMITED**

(Non-Personal Liability)



6th Annual Report



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McKINNEY GOLD MINES LIMITED

(Non-Personal Liability)

Incorporated under the laws of the Province of British Columbia

Authorized Capital	-	-	-	-	-	-	-	-	5,000,000 shares
Issued	-	-	-	-	-	-	-	-	4,645,303 shares
Unissued	-	-	-	-	-	-	-	-	354,697 shares

DIRECTORS

ALLAN H. AINSWORTH	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>
W. L. HENDERSON	-	-	-	-	-	-	-	-	<i>Toronto, Ont.</i>
GRANT O. McLAREN	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>
J. E. R. WOOD, P.ENG.	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>

OFFICERS

J. E. R. WOOD	-	-	-	-	-	-	-	-	<i>President</i>
ALLAN H. AINSWORTH	-	-	-	-	-	-	-	-	<i>Secretary</i>
HAROLD S. EISLER	-	-	-	-	-	-	-	-	<i>Treasurer</i>

CONSULTANTS

H. L. HILL & ASSOCIATES LTD.	-	-	-	-	-	-	-	-	<i>Consulting Engineers</i>
ALLEN W. JECKELL, B.A.SC., P.ENG.	-	-	-	-	-	-	-	-	<i>Consulting Engineer</i>

SOLICITORS

AINSWORTH, HENSON, NORBY, PURVIS & KENDALL	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>
Counsel for Ontario:									
MANLEY, GRANT AND ARMSTRONG	-	-	-	-	-	-	-	-	<i>Toronto, Ont.</i>

AUDITOR

R. M. HOYLAND, C.A.	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>
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BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>
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TRANSFER OFFICE AND REGISTRAR

THE ROYAL TRUST COMPANY—626 West Pender Street, Vancouver, B.C.	
THE ROYAL TRUST COMPANY—105 St. James Street West, Montreal, Que.	

SHARES OF THE COMPANY ARE LISTED

CANADIAN STOCK EXCHANGE	-	-	-	-	-	-	-	-	<i>Montreal, P.Q.</i>
VANCOUVER STOCK EXCHANGE	-	-	-	-	-	-	-	-	<i>Vancouver, B.C.</i>

BUSINESS OFFICE

506 - 540 Burrard Street,
Vancouver 1, B.C.

REGISTERED OFFICE

625 - The 925 West Georgia Bldg.,
Vancouver 1, B.C.

McKINNEY GOLD MINES LIMITED

(Non-Personal Liability)

Report of the Directors

To the Shareholders of
McKinney Gold Mines Limited (N.P.L.)

On behalf of the Directors I have pleasure in presenting the Annual Report for the period to February 28, 1966 together with the Financial Statements of the Company and its subsidiary as at January 31, 1966 and the report of the Auditors thereon.

To permit presentation of a current report on company affairs and allow completion of negotiations underway for several months, which are now concluded, we requested and were granted permission to defer this meeting for three months.

During the period August 1, 1964 to January 31, 1966, \$137,500. was placed in the treasury by the sale of 750,000 shares to W. D. Latimer Co. Limited and recently \$25,000. by the sale of 200,000 shares to H. H. Hemsworth & Co. Ltd. (acting on behalf of themselves and others) for a total of \$162,500. There remains under option to Hemsworth et al 200,000 shares at 17½¢ due April 14, 1966 and 100,000 shares at 22½¢ due July 13, 1966, which, if exercised, will place an additional \$57,500. in the treasury.

Rossland Property, British Columbia

This four claim group, Golden Queen, St. Elmo, Surprise and Gertrude Crown Granted Mineral Claims, adjoins the eastern boundary of the property of Red Mountain Mines Limited (N.P.L.) approximately 325 feet from their principal ore zone. Red Mountain Mines Limited (jointly owned by Torwest Resources (1962) Limited, Metal Mines Limited and Canadian Nickel Company Ltd.) is currently constructing a 400-ton mill with molybdenum production expected to commence shortly.

Geochemical and geophysical surveys have been carried out by McKinney on parts of the St. Elmo and Golden Queen Mineral Claims, followed by 4,595 ft. of diamond drilling.

This drilling has indicated

130,000 tons grading 0.244% MoS₂

56,000 tons grading 0.40% MoS₂

This tonnage is considered encouraging in view of the relatively small proportion of the property so far drilled.

An option to acquire a 70% interest in the Novelty Mineral Claim granted by Rossland Mining Co. Ltd. has been assigned to McKinney by Northwood Mining Limited. The cash for the assignment of the option is \$17,000. representing reimbursement to Northwood of expenditures incurred by it to acquire the option and to explore the claim. Of this sum, \$8,500. was paid when the agreement was executed and the balance is due on or before May 1, 1966.

To earn a 70% interest in the Novelty Claim, McKinney must pay \$35,000. to Rossland Mining Co. Ltd. from 30% of the first net revenue from the property, provided that Rossland Mining Co. Ltd. shall receive a minimum, by way of net revenue or cash payments, not less than \$10,000. by May 1, 1967, a like sum on or before May 1, 1968 and a sum of \$15,000. on or before May 1, 1969.

This fractional claim strategically adjoins the southern boundaries of the Coxey and the Golden Queen Mineral Claims, part of the northern and eastern boundaries of the Giant Mineral Claim of Cascade Molybdenum Mines Ltd. and the northern boundary of the California Mineral Claim owned by Consolidated Mining & Smelting Co. Ltd. Previous drilling and trenching on the Novelty and trenches on the southwest area of the Golden Queen give grounds for cautious optimism that the promising Giant Zone, now within 250 feet of the boundary, may extend through the Novelty and into McKinney's Golden Queen.

A geological, geophysical and drilling program will be conducted this season.

Batchewana-Tribag Area, Ontario

Our last Annual Report set out preliminary geophysical and diamond drilling results on the 21 claim group Mamainse Lake Property owned by our subsidiary company, Jogran Mines Limited, in which our company holds 722,087 shares, and our 8 claim Pancake Lake Property located approximately 3,000 feet to the north.

On the recommendation of our Consulting Engineer, Mr. A. W. Jeckell, P.Eng., this ground was recently consolidated with the intervening 19 claim "Iron Group" now optioned to Jogran-McKinney, 22 claims were purchased and 18 claims staked by McKinney for a total of 88 claims covering a favorable fault structure considered to extend 1¾ miles.

A four year option agreement relating to the property has been entered into with Phelps Dodge Corporation of Canada Limited. Under the agreement, Phelps Dodge has four years within which to conduct exploration of the property and to decide whether or not the property is of sufficient value to justify exercising the option provided in the agreement. If the option is exercised Jogran and McKinney will receive a cash consideration plus a certain interest in a new three million share company to be formed. By way of the cash consideration Jogran and McKinney shall receive \$10,000. at the beginning of the third year and \$10,000. at the beginning of the fourth year and \$70,000. upon exercising of the option. Alternatively, Phelps Dodge may exercise its option at any time upon payment of \$90,000., less any amounts paid at the beginning of the third and fourth years. If the option is exercised and the new company is formed, 700,000

shares will be issued to Phelps Dodge, 90,000 shares to McKinney, 150,000 shares to Jogran and 60,000 shares to the original vendors of the Mamainse Lake and Pancake Lake properties in lieu of royalties they currently hold. Jogran, McKinney and the vendors may participate in 5% of the future financing of this new company.

Under the terms of the "Iron Group" option, Jogran paid an \$800.00 cash payment and can complete title by paying the vendors \$18,000. cash and 50,000 shares of Jogran.

Prior to entering into this agreement with Phelps Dodge, McKinney and Jogran carried out a substantial exploration program on the basic properties covered by the agreement; AXT diamond drilling to date totals 11,135 feet on Jogran's Mamainse Lake Property and 1,712 feet on McKinney's Pancake Lake Property. This includes 10 holes drilled December, 1964 - March, 1965, totalling 5,698 feet to the southeast of earlier drilling. Nine holes in three cross-sections were in a porphyry mass of low grade copper and molybdenite (MoS_2) mineralization. Some 400 feet of the "strike" length was covered with horizontal widths of 600 feet on all three cross-sections, returning an overall average grade of 0.1935% copper and 0.0528% MoS_2 .

Senneterre Township Property, Quebec

No work was done since our last report. Four hundred acres are presently retained.

Pine Point Area, N.W.T.

Nineteen claims were obtained through the good auspices of your Consulting Engineers, H. L. Hill & Associates Ltd., at a nominal cost. This ground is considered to be favorably located and adjoins the southern boundary of a 22 claim group recently acquired by Pyramid Mines Limited. An exploration program will be conducted this coming season.

For personal reasons Mr. R. W. Hunstone of Vancouver, Dr. W. R. Brewster of New Westminster, Messrs. Alexander Steel and O. D. Guthrie of Toronto found it necessary to withdraw from the Board. Their resignations have been accepted with regret. All served faithfully for several years. Mr. Hunstone was our founding President and will be greatly missed. We look forward to continuing our association with Mr. Steel as President and Mr. Guthrie as a Director of Jogran Mines Limited.

We welcome to the Board of Directors Mr. Allan H. Ainsworth, our Secretary and Solicitor.

The employees and drilling contractors who were with us at our various properties deserve our thanks for their effort, as do the Consulting Engineers and other professional people who have worked with us. We also wish to thank our underwriters and shareholders for their continued support.

Submitted on behalf of the Board of Directors.

J. E. R. WOOD, President

McKINNEY GOLD

(Non-Pers
and its wholly
McKINNEY

CONSOLIDATED BALANCE S**A S S E T S**

Cash on hand and in bank	\$ 27,568.15
Accounts receivable	8,677.28
Prepaid items	224.75
Deposits	141.00
Bond of Quebec Hydro-Electric Commission due March 1, 1975 - at cost (See Note 2)	847.50
Equipment (See Note 1)	12,741.75
Furniture (See Note 1)	500.00
Senneterre property - at cost	27,000.00
Pancake Lake property - at cost (See Note 3)	23,365.00
Saskatchewan property - at cost	1,427.42
Pine Point property - at cost	1,653.00
Options on Golden Queen property (See Note 4)	13,591.75
Investment in and advances to Jogran Mines Limited:	
Investment (represented by 722,087 shares of a par value of \$1.00 each) - at cost	\$ 41,841.03
Advances	225.05
	42,066.08
Preliminary expenses	5,100.48
	<u>5,100.48</u>
	<u>\$164,904.16</u>

APPROVED ON BEHALF OF THE BOARD

GRANT O. McLAREN, Director

ALLAN H. AINSWORTH

MCKINNEY GOLD MINES LIMITED

(Non-Personal Liability)
 a Subsidiary,
 MCKINNEY GOLD MINES, INC.

STATEMENT AS AT JANUARY 31, 1966

Exhibit "A"

LIABILITIES

Accounts payable					\$ 6,307.20
Advance by a Director					5,000.00
Share Capital:					
Authorized—					
5,000,000 shares of no par value					
Issued—					
708,917 shares (after consolidation)				\$ 53,415.92	
2,450,000 shares for cash				608,000.00	
1,486,386 shares for other consideration				347,586.50	
<u>4,645,303</u>				<u>1,009,002.42</u>	
Contributed Surplus:					
Payment received for shares surrendered				4,500.00	
				<u>1,013,502.42</u>	
Deficit:					
Balance at July 31, 1964	\$527,690.09				
Add expenditures for the period					
ended January 31, 1966					
(Exhibit "B")	123,459.80				
Amount written off assets	27,388.66	\$678,538.55			
Subsidiary Company:					
Balance at July 31, 1964	173,264.12				
Add expenditures for the period					
ended January 31, 1966					
(Exhibit "B")	2,102.79				
Amount written off assets	6,000.00	181,366.91	859,905.46	153,596.96	
				<u>\$164,904.16</u>	

I have examined the Consolidated Balance Sheet of McKinney Gold Mines Limited (Non-Personal Liability) and its subsidiary company as at January 31, 1966, and the related Statement of Development and Exploration for the period ended on that date, and have obtained all the information and explanations I have required. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as I considered necessary in the circumstances. In my opinion, the above Consolidated Balance Sheet, supplemented by the Notes thereto, and the relative Statement of Development and Exploration are properly drawn up in conformity with generally accepted accounting principles applied on a consistent basis throughout the period so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiary company as at January 31, 1966, and the results of their operations for the period then ended, according to the best of my information and the explanations given to me and as shown by the books of the Company and its subsidiary company.

Vancouver, B.C.
 February 22, 1966.

R. M. HOYLAND,
 Chartered Accountant.

McKINNEY GOLD MINES LIMITED

(Non-Personal Liability)
and its wholly-owned Subsidiary,
McKINNEY MINES, INC.

**STATEMENT OF DEVELOPMENT AND EXPLORATION
FOR THE PERIOD FROM AUGUST 1, 1964, TO JANUARY 31, 1966**

Golden Queen Property:

Diamond Drilling—

Labour	\$ 1,202.26	
Bits, rods and casing	312.80	
Supplies	317.63	
Fuel, oil and grease	114.31	
Rentals	574.42	
Drill site	1,188.78	
Contracts	39,143.35	\$ 42,853.55

Engineering—

Salaries	14,663.56	
Supplies	1,506.61	
Photography and blueprints	172.25	
Travel	2,680.16	
Consulting fees	1,524.70	20,547.28

General—

Assays	2,304.03	
Automotive expense	2,357.87	
Road maintenance	2,666.94	
Small tools	190.13	
Telephone and telegrams	965.09	
Insurance	278.52	
Freight	219.34	
Damage claims	857.08	
Licences and permits	30.00	
Field office	315.23	
Miscellaneous	17.64	
Geophysical survey	3,473.61	
Taxes	21.75	13,697.23 \$ 77,098.06

Senneterre Property:

Engineering	447.57	
Licences	483.00	930.57

Pancake Lake Property:

Contract drilling	8,209.80	
Engineering	5,209.30	
Assays	534.51	13,953.61

Thoen Mountain Property:

Assessment work	400.00	
		<u>92,382.24</u>

Administration:

Office expenses	4,866.60	
Travel	472.17	
Telephone and telegrams	2,332.05	
Legal and audit	6,082.85	
Insurance	477.87	
Taxes	120.15	
Permits and licences	754.80	
Donation	15.00	
Engineering	375.00	
Bank charges	9.91	
Interest	1,202.72	
Advertising	355.00	
Printing prospectii	1,398.91	
Filing fees to exchanges and security commissions	1,756.46	
Transfer agent fees	1,820.35	
Annual report and meeting	538.22	
Recording claims	10.00	
Miscellaneous	(23.28)	
Equipment rental adjustment	600.00	
Loss on disposal of equipment	8,079.26	31,244.04
		<u>123,626.28</u>

Deduct:

Interest	52.50	
U.S. exchange	113.98	166.48
		<u>166.48</u>

Expenditures by the parent company	123,459.80
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Subsidiary Company:

Legal	100.00	
Licence	50.00	
Miscellaneous	167.79	
Loss on disposal of equipment	1,785.00	2,102.79
		<u>2,102.79</u>

Expenditures for the period ended January 31, 1966

(Exhibit "A")	<u>\$125,562.59</u>
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McKINNEY GOLD MINES LIMITED

(Non-Personal Liability)
and its wholly-owned Subsidiary,
McKINNEY MINES, INC.

NOTES

1. Certain of the equipment and furniture presently in storage has been reduced in value and the balance has been valued at cost. No depreciation has been written off these assets.
2. The bond of the Quebec Hydro-Electric Commission is deposited with the Government of the Province of Quebec.
3. 140,100 shares were issued on October 19, 1964, at a price of 15 cents per share as part of the consideration for the purchase of the Pancake Lake property in the Province of Ontario.
4. By an agreement dated September 22, 1964, Northwood Mining Limited, (of which J. E. R. Wood is the principal) agreed to assign to the Company all its interest in certain options to purchase certain Crown-granted mineral claims, situated in the Kootenay District of the Province of British Columbia, as follows:
 - (a) the option granted by Andrew Joseph Grubisic and Isaac Glover to Northwood Mining Limited under an agreement dated August 5, 1964, to purchase Lots 923, 693 and 994, known, respectively, as the St. Elmo, Surprise and Golden Queen Mineral Claims, for a purchase price of \$50,000.00, payable as follows:
 - (i) a sum of \$2,000.00 which has already been paid;
 - (ii) a sum of \$8,000.00 which has already been paid;
 - (iii) \$13,500.00 on or before August 5, 1966;
 - (iv) \$13,500.00 on or before August 5, 1967;
 - (v) \$13,000.00 on or before August 5, 1968.In the event that the property is brought into commercial production, a royalty of 10% of the net smelter returns from the property is to be applied in reduction of the purchase price.
 - (b) The option granted by William Keane to Northwood Mining Limited, under an agreement dated August 7, 1964, to purchase Lot 690, known as the Gertrude Mineral Claim, for a purchase price of \$15,000.00, payable as follows:
 - (i) a sum of \$1,000.00 which has already been paid;
 - (ii) a sum of \$2,000.00 which has already been paid;
 - (iii) \$2,000.00 on or before August 7, 1966;
 - (iv) \$3,000.00 on or before August 7, 1967;
 - (v) \$3,000.00 on or before August 7, 1968;
 - (vi) \$4,000.00 on or before August 7, 1969.In the event that the property is brought into commercial production, a royalty of 10% of the net smelter returns is to be applied in reduction of the purchase price.
5. Red Mountain Mines Limited (N.P.L.) has agreed to purchase the Company's interest in a tractor which had been purchased jointly and will complete the payments under the conditional sales agreement. The Company's equity is to be refunded on an instalment basis.
6. An underwriting agreement dated January 10, 1966, has been entered into between the Company and H. H. Hemsworth & Co. Ltd., as underwriter acting on its own behalf as to a 25% interest, on behalf of Davidson & Company Ltd. as to a 25% interest, on behalf of Northwood Mining Limited as to a 25% interest and on behalf of Beubern Enterprises Limited as to the remaining 25% interest. Under the agreement the underwriter purchased 200,000 shares at 12½ cents per share on January 13, 1966. In consideration of the commitment to purchase such shares the Company granted to the underwriter options to purchase all or any part of an additional 300,000 shares of the Company as follows:
 - (a) 200,000 shares at 17½ cents each on April 14, 1966,
 - (b) 100,000 shares at 22½ cents each on July 13, 1966.
7. The Company, Jogran Mines Limited and the original vendors of the property held by Jogran Mines Limited have entered into an agreement with Phelps Dodge Corporation of Canada Limited for the further development of the property. In this connection the Company has staked 18 additional adjoining claims which will form part of the property comprised in the agreement. By way of a collateral agreement the Company may be required to give up 50,000 shares which it holds in Jogran Mines Limited if the latter is not permitted by the Securities Commission of the Province of Ontario, to issue to the original vendors a share consideration in an agreed amount for the surrender by the original vendors of certain royalty rights with respect to the property.

**RED MOUNTAIN MINES
LIMITED (n.p.l.)
(TORWEST PROPERTY)**

RED. MTN.
EL. 5194

SKI LIFT

T.V. ZONE
ST. ELMO

CON. ST. ELMO
Mine
Au Cu

CLIFF
Au Cu

JUMBO
Mine
Au

COXEY
MoS₂

MoS₂

GOLDEN QUEEN

**McKINNEY
GOLD
MINES LTD.**
(OPTION)

SURPRISE

L. ZONE

NOVELTY
MoS₂

CASCADE

GIANT
Mine
Au MoS₂

NOVELTY
Fr.

GERTRUDE

CALIFORNIA

**ROSSLAND
MINES**
(COMINCO)

WAR
EAGLE

JOSIE

CENTRE
STAR

LE ROI

INLAND NATURAL GAS

W. K. P. & L.

**CITY
OF
ROSSLAND**

COLUMBIA AVE.

NO. 22 HW.

**McKINNEY GOLD MINES LTD.
ROSSLAND PROPERTY**

SCALE: 1 INCH = 1000 FEET

KINCAID TWP.

TP. 28 R.13

TRIBAG
MINING
CO.

PANCAKE LAKE

MAMAINSE LAKE

McKINNEY-JOGRAN

88 CLAIM GROUP

RYAN TWP.

PALMER TWP.

Copper Corp.

PART OF DISTRICT OF ALGOMA
SAULT SAINT MARIE MINING DIVISION ONTARIO.

APPROX. SCALE 1" = 11/8 MILES

